



**BUY**

11 May 2021  
Plantation, Equity

Price **IDR. 10450**  
Target Price **IDR. 12800**  
JKSE Index **5975,79**



### Investment Consideration

#### Flat production

As of 2020FY, FFB and CPO production decreased -7.7% YoY and -13.6% YoY respectively driven by drought in 2019FY. As of 1Q21, CPO production had decreased by a lesser 0.8% YoY accompanied by a 3.3% decrease in FFB. In addition to the weather factor in the low production in there is also the impact of the Covid 19 pandemic that has limited mobility and production particularly in Plasma plantations. AALI targets production growth of 5% YoY as the majority of plants are mature and yield has already increased over the last 10 years. Nucleus production growth depends on the Weather. AALI's planted area age was 15.5 years in 2020 compared to 15 years in 2019. AALI nucleus area has decreased while the plasma areas have increased. AALI targets annual replanting of 5,000 ha this year. AALI targets an increase in production supported by third party and Plasma Plantations in addition to nucleus plantation yield optimization to increase the company's performance this year. AALI's digitalization program has helped to overcome work and production constraints during the pandemic. We are targeting FFB and CPO production in 2021 of 4,86 mn tons and 1,51 mn tons respectively.

#### Higher CPO prices cover up lower volume

As of 1Q21, AALI recorded a 6.8% YoY decrease in sales volume of CPO and derivatives. However, revenue increased by 5.0% YoY to IDR 5 trillion as a result of an 8.0% YoY increase in average CPO selling prices. Net profit decreased by 56.2% in March 2021 to Rp 162 billion compared to the same period last year due to a significant increase in other expenses, up 763% yoy, coming from losses related to forward selling contracts. In 2021, the increase in CPO prices will support an increase in revenues amid weakening production and sales volumes. But the CPO price increase is blocked by changes in the formulation of the export levy in late 2020 to support the biodiesel program, from a flat tax to progressive. This will reduce the potential price increases for CPO companies including AALI. We are targeting Average Selling Price (ASP) this year to rise 9% YoY to 9300 IDR/kg compared to 8545 IDR/Kg in 2019, covering a decrease in sales volume target of -3% YoY in 2021. Total revenue of CPO 2021 is forecast to increase 5% YoY in 2021.

#### Valuation: 22% upside

We estimate a TP within one year of IDR. 12800, EV/EBITDA at 7,59x and EV/ha of 7,153 USD/Ha or trading at 19x PER. With 22% upside, we recommend to BUY.

Profit and Loss (IDR.bn)	2018 A	2019 A	2020 A	2021 F	2022 F
net sales	19.084	17.453	18.807	19.738	21.070
Cost of Sales	(15.545)	(15.308)	(15.844)	(15.621)	(17.025)
Gross Profit	3.540	2.145	2.963	4.117	4.045
Operating expense	(1.214)	(1.184)	(1.121)	(1.184)	(1.370)
Operating Profit	2.326	960	1.842	2.932	2.676
Other income	(119)	(299)	(380)	(987)	(421)
Pretax income(PBT)	2.207	661	1.463	1.945	2.254
taxes	(686)	(417)	(569)	(934)	(902)
Minority interest	(82)	(33)	(61)	(78)	(75)
EPS	747	110	433	485	664
Net Profit	1.439	211	833	934	1.277
EBITDA	3.335	1.932	2.777	3.333	3.810

Stock Code  
Bloomberg code **AALI IJ**  
Market cap (IDR.bn) **18861.9**  
52-Week High (IDR) **13350**  
52-Week Low (IDR) **6000**  
Avg Daily. Val (IDR) **9800**  
Free Float (%) **20.32**

Major Shareholders (%)  
PT Astra International Tbk **79.68%**  
Public **20.32%**

USD/IDR-YE  
2020A **14050**  
2021F **14198**

Key Indicators  
DER (x) **0.30**  
Debt ratio (x) **0.30**  
EBITDA Margin (%) **16.9**

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## Company Profile

PT Astra Agro Lestari Tbk or AALI was established in 1988 as a company engaged in the palm oil and several other business activities. The Company is a subsidiary of PT Astra International Tbk (“ASII”), one of the largest groups of companies in Indonesia. The Company is a public company with shares registered and traded on the Indonesia Stock Exchange (IDX). Currently, 76.68% of the shares are owned by Astra, while the remaining 20.32% are owned by the public. The total planted area of Oil Palm Plantations managed by the Company is 287,604 hectares spread across Sumatra, Kalimantan and Sulawesi. Of this area, 215,375 hectares are Nucleus plantations and 72,229 hectares are Plasma plantations. The Company also expanded its business into the oil palm downstream industry by establishing a CPO refinery plant through its subsidiary, PT Tanjung Sarana Lestari in 2014 located in West Sulawesi Province. The Company established a Palm Kernel Oil (PKO) refinery through an additional subsidiary, PT Tanjung Bina Lestari in 2017 which is also located in West Sulawesi Province. The Company also has a marketing office in Singapore under the name of Astra-KLK Pte. Ltd which is a joint venture between the Company and Kuala Lumpur Kepong Plantation Holdings Sdn, Bhd. In addition, the Company expanded its business line by setting up two Fertilizer Blending Plants producing NPK. The NPK Fertilizer Blending Plants are operated by PT Cipta Agro Nusantara in Central Sulawesi, established in 2016, and PT Bhadra Cemerlang in Central Kalimantan, established in 2017. Both are the Company's subsidiaries.

## Company Structure

I. As of 1Q21

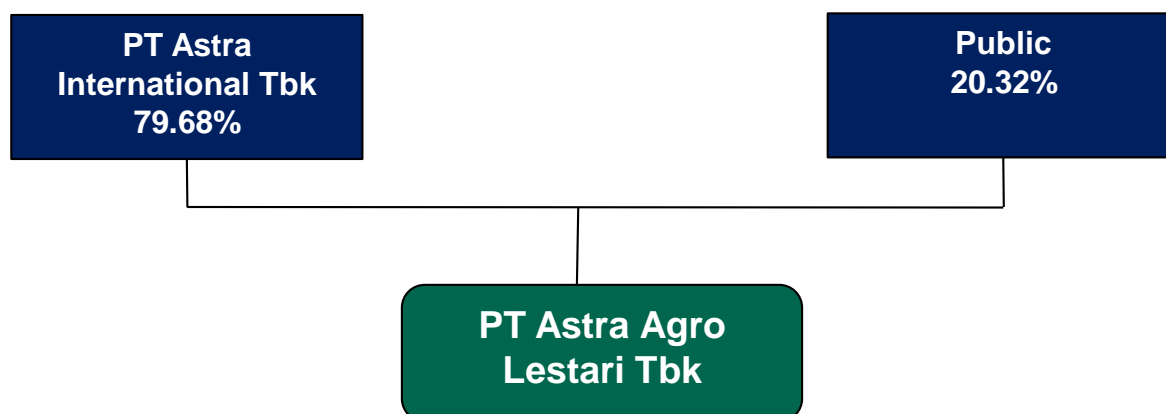


Chart: FFB vs CPO production yoy (in mn tons)

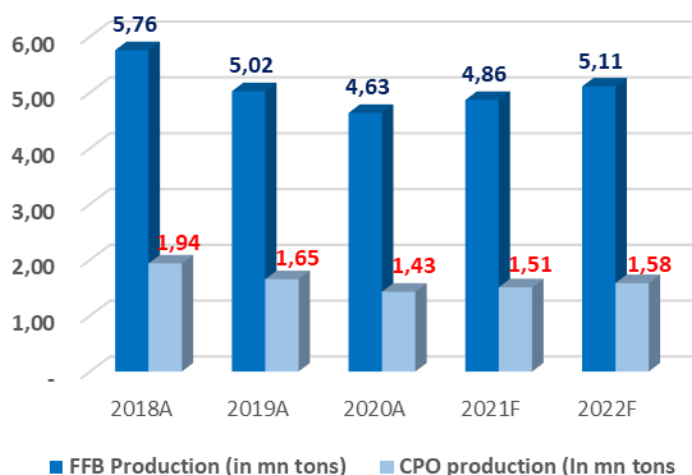


Chart: cash cost/ha (IDR.000) yoy

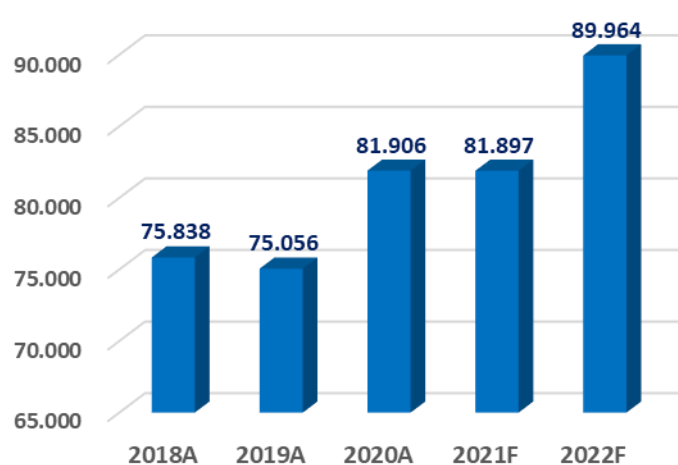


Chart: AALI's planted area (ha) yoy

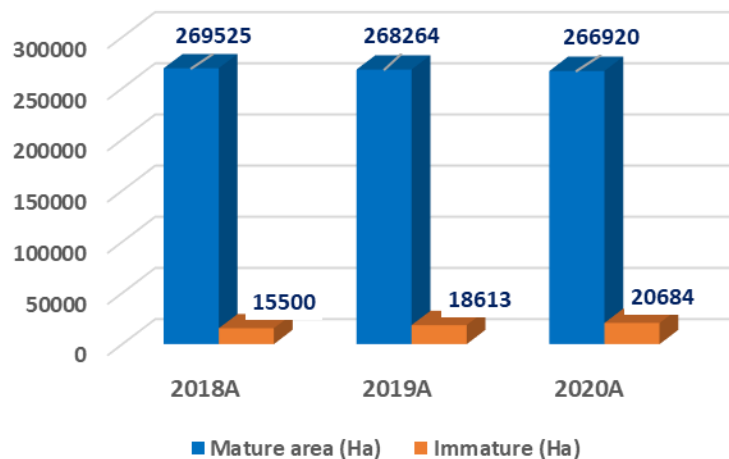


Chart: AALI's Nuclues vs plasma planted area (ha) yoy

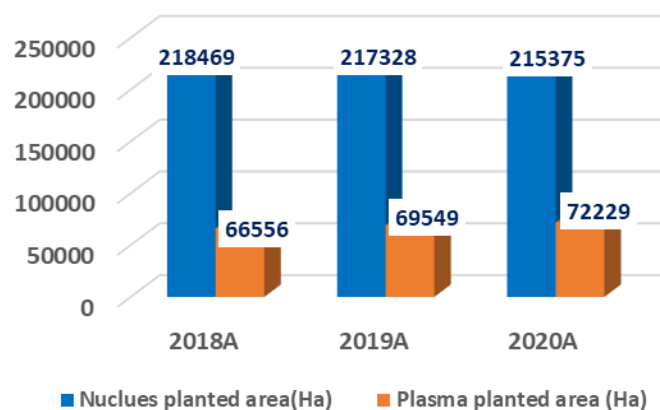


Chart: CPO extraction rate vs PK extraction rate (%) yoy

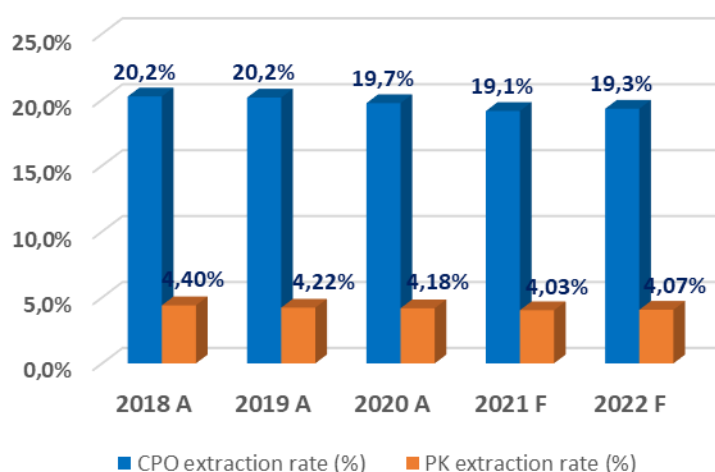
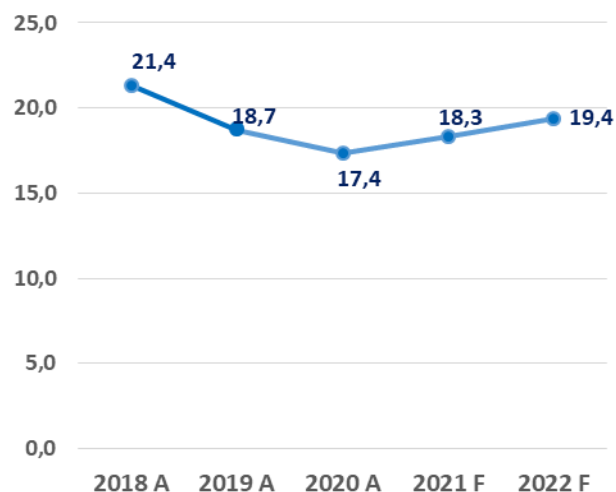


Chart: FFB yield/ha yoy



Profit and Loss (IDR.bn) yoy

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<b>Pretax income(PBT)</b>	<b>2.207</b>	<b>661</b>	<b>1.463</b>	<b>1.945</b>	<b>2.254</b>
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EPS	747	110	433	485	664
<b>Net Profit</b>	<b>1.439</b>	<b>211</b>	<b>833</b>	<b>934</b>	<b>1.277</b>
<b>EBITDA</b>	<b>3.335</b>	<b>1.932</b>	<b>2.777</b>	<b>3.333</b>	<b>3.810</b>

Balance Sheet (IDR.bn) yoy

Balance Sheet (IDR.bn)	2018 A	2019 A	2020 A	2021 F	2022 F
Cash and cash equivalent	49	383	979	1.489	2.009
Trade Account Receivable	617	369	766	790	843
inventory	2.368	1.974	2.166	2.750	2.844
Other current asset	1.467	1.746	2.028	1.974	2.162
<b>Current Asset</b>	<b>4.501</b>	<b>4.472</b>	<b>5.938</b>	<b>7.002</b>	<b>7.858</b>
Fixed Asset	10.219	9.842	9.242	8.942	9.036
other long term asset	12.137	12.660	12.601	13.225	14.117
<b>Total non current Asset</b>	<b>22.356</b>	<b>22.502</b>	<b>21.843</b>	<b>22.167</b>	<b>23.154</b>
<b>Total Asset</b>	<b>26.857</b>	<b>26.974</b>	<b>27.781</b>	<b>29.169</b>	<b>31.012</b>
Trade Account Payable	552	827	770	808	863
Short Term bank loans	1.125	150	0	0	0
advances from customer	698	89	81	85	91
Other short term liabilities	701	501	941	988	1.054
<b>Total current liabilities</b>	<b>3.077</b>	<b>1.567</b>	<b>1.793</b>	<b>1.881</b>	<b>2.008</b>
Long term liabilities	3.606	5.535	5.624	5.902	6.301
Other Long term liabilities	700	893	1.117	987	1.054
<b>Total long term/ non current liabilities</b>	<b>4.306</b>	<b>6.429</b>	<b>6.741</b>	<b>6.889</b>	<b>7.354</b>
<b>Total Liabilities</b>	<b>7.382</b>	<b>7.996</b>	<b>8.533</b>	<b>8.770</b>	<b>9.363</b>
non controlling interest	485	457	495	493	517
<b>Total Equities</b>	<b>18.990</b>	<b>18.521</b>	<b>18.752</b>	<b>19.905</b>	<b>21.132</b>
<b>Total Liabilities &amp; Equity</b>	<b>26.857</b>	<b>26.974</b>	<b>27.781</b>	<b>29.169</b>	<b>31.012</b>

## Cash Flow (IDR.bn) yoy

Cash Flow (IDR.bn)	2019A	2020A	2021F	2022F
+ Net Income	211	833	934	1.277
Depreciation	921	896	948	1.087
- Change in WC	-1.147	-645	-466	-209
<b>Cash From Operating Activities</b>	<b>-15</b>	<b>1.085</b>	<b>1.417</b>	<b>2.156</b>
Net fixed asset	-543	-297	-648	-1.182
other long term asset	-523	59	-623	-893
<b>cash from investing activities</b>	<b>-1.066</b>	<b>-237</b>	<b>-1.272</b>	<b>-2.074</b>
Long term liabilities	1.929	88	278	398
Other Long term liabilities	194	224	-130	67
equity	-707	-564	217	-26
<b>cash from financing activities</b>	<b>1.416</b>	<b>-252</b>	<b>365</b>	<b>439</b>
Net Changes in Cash	334	596	510	520
<b>Beginning Balance</b>	<b>49</b>	<b>383</b>	<b>979</b>	<b>1489</b>
<b>Ending balance</b>	<b>383</b>	<b>979</b>	<b>1.489</b>	<b>2.009</b>

## Ratio Highlights yoy

	2018 A	2019 A	2020 A	2021 F	2022 F
<b>Growth (% YoY)</b>					
Net Revenue		-9%	8%	5%	7%
OP		-59%	92%	59%	-9%
EBITDA		-42%	44%	20%	14%
NP		-85%	295%	12%	37%
EPS		-85%	295%	12%	37%
<b>Profitability</b>					
Operating Margin(%)	12,2%	5,5%	9,8%	14,9%	12,7%
EBITDA margin(%)	17,5%	11,1%	14,8%	16,9%	18,1%
NET Profit margin(%)	7,5%	1,2%	4,4%	4,7%	6,1%
ROE (%)	7,6%	1,1%	4,4%	4,7%	6,0%
ROA (%)	5,4%	0,8%	3,0%	3,2%	4,1%
<b>Stability</b>					
Total debt/ total equity (x)	0,25	0,31	0,30	0,30	0,30
Current ratio	1,46	2,85	3,31	3,72	3,91
Debt Ratio (x)	0,27	0,30	0,31	0,30	0,30
<b>Per Share data (Rp)</b>					
EPS	747,40	109,69	432,84	485,28	663,59
BVS	9.866,3	9.622,9	9.743,1	10.341,9	10.979,5

**Stock Ratings:**

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-20%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM  
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